AMERICAN SOCIETY OF MILITARY COMPTROLLERS
PROFESSIONAL DEVELOPMENT INSTITUTE

DEPARTMENT OF THE NAVY BUDGET HIGHLIGHTS

Rear Admiral Stan Bozin
Director, Office of Budget

31 May 2006

Our budget resources are aligned to support both present responsibilities and future capabilities.

Providing the Right Force for the Nation Today…

- Sustaining Current Readiness
- Building the Fleet of the Future
- Developing 21st Century Leaders

…While Preparing for the Uncertainties of Tomorrow

- Changing the Way We Fight
- Improving Infrastructure & Business Practices
- Shaping Our 21st Century Manpower

We are postured worldwide, providing the right force for the Nation.

Navy

- 101 ships deployed (35% of total)
  - REAGAN CSG – Arabian Gulf
  - LINCOLN CSG – Pacific Ocean
  - ENTERPRISE CSG – Mediterranean Sea
  - ESSEX ESG – Gulf of Thailand
  - PELELIU ESG – Persian Gulf
- 130 ships underway (46% of total)
- 354,266 active strength
- 38,836 on deployment
  - In CENTCOM 22,000
- 4,526 activated reservists

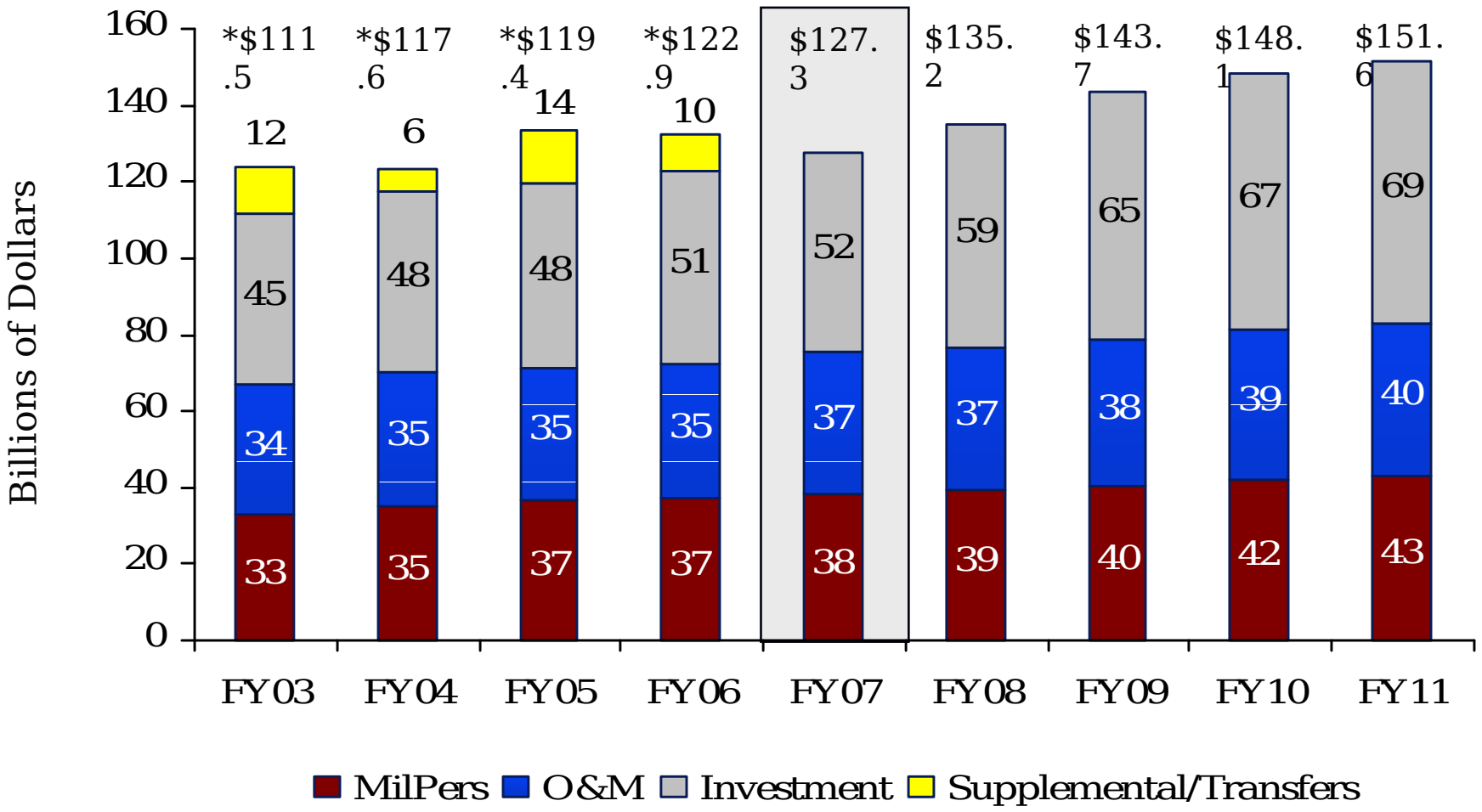
Navy-Marine Corps Team
Forward deployed and ready

Marine Corps

- First Marine Expeditionary Force (I MEF) has relieved II MEF – 23,000
  - In CENTCOM 23,922
- 177,717 active strength
- 6,612 activated reservists

(data as of 23 May 06)

The FY 2007 DON budget shows a continued increase in investment projected over the Future Years Defense Plan. Supplementals continue to relieve pressure on the baseline budget.



*Totals do not include supplemental costs.

The FY 2007 budget is up in every title except Research & Development with respect to the FY 2006 baseline. Procurement is up, especially in ships and aircraft as we recapitalize the fleet.

MilPers +$1.4B

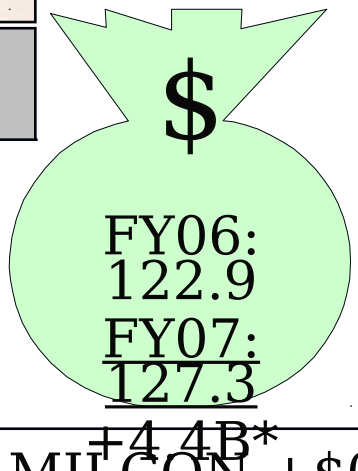
Basic Pays	+$1,161M
Housing Allowance	+$898M
Health Accrual	+$217M
Special Pays	+$67M
Reduced Strength	-$972M

Navy Strength 352,700 to 340,700
Marine Corps 175,000 Baseline

Procurement +$2.2B

Aircraft (+31)	+$1.2B
Ships (+1)	+$1.7B
EFV (+15)	+$0.2B

Transforming Investment



O&M +$2.1B

Price Growth	+$900M
Fuel Prices	+$780M
Weapons Support	+$140M
Marine Corps Support	+$90M

Rotational deployed presence

MILCON +$0.5B

BRAC 2005	+$443M
Family Housing	+$127M
MILCON	+$18M

Achieving Efficiencies via BRAC

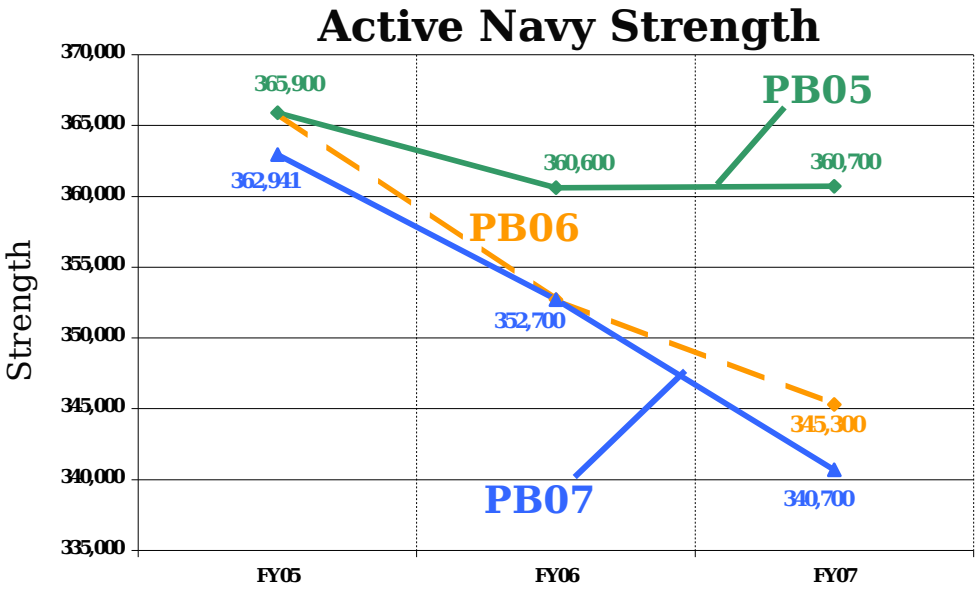
R&D -$1.8B

DD(X)	-$323M
LCS	-$255M
VXX	-$239M
JSF	-$232M
JTRS	-$167M
Adv. Hawkeye	-$117M
MMA	+$182M
UCAV	+$239M

Acquisition Maturation

*FY06 Total Obligational Authority (w/o Supp) to FY07 President's Budget

Our people are our strength. We continue to increase performance efficiency through targeted manpower reductions, but total manpower costs continue to rise.

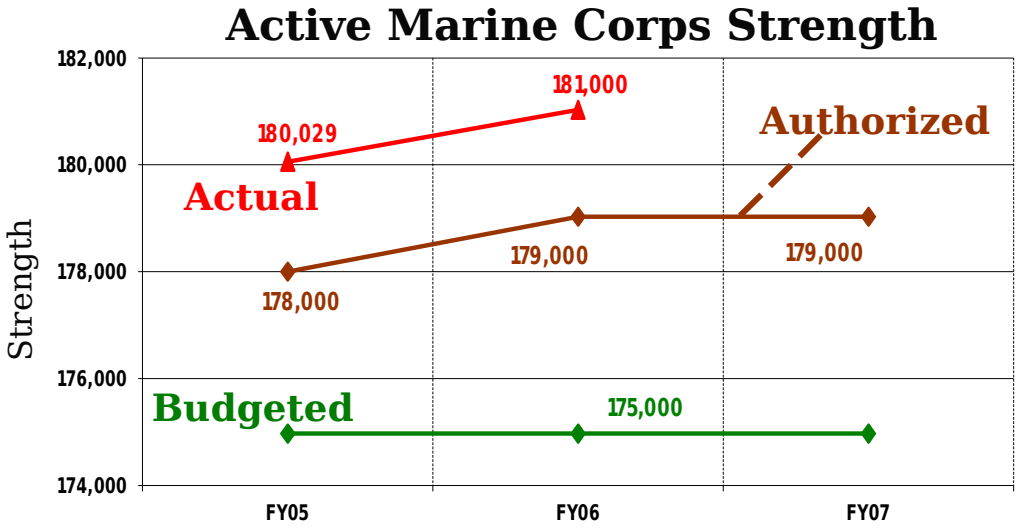


Transforming the Force

- Improved training & development processes
- Decommission older manpower intensive platforms
- Increased technology
- More efficient infrastructure manning
- Active/Reserve integration

Properly Priced and Sized for the Future

- Increase the warfighting force
  - Military to civilian conversions
- Strong retention and effective recruiting
- Additional strength, as authorized in 2006, will be funded through supplemental requests as necessary
- 2.2% basic pay raise, plus targeted



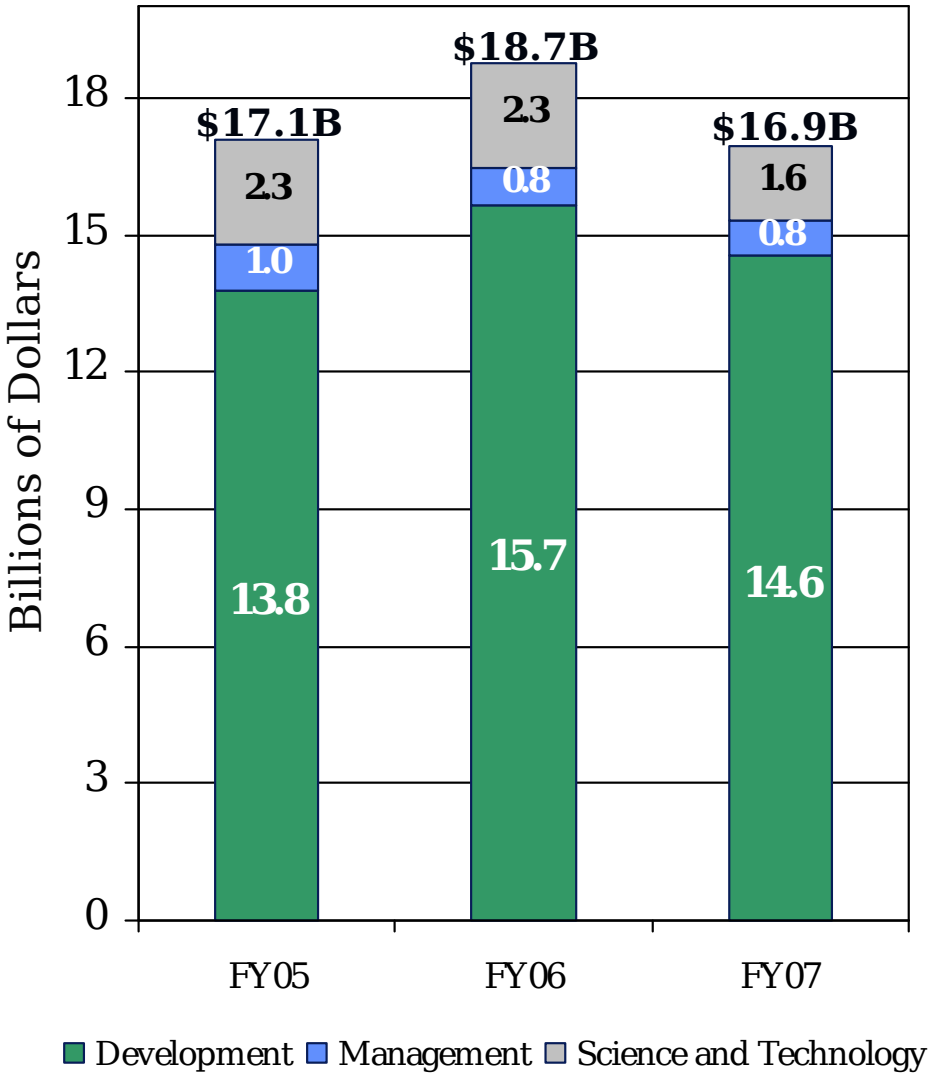
The DON is driving towards stability in new ship construction. Across the FYDP the ship count is slightly higher than in last year's budget (51 versus 48).

SHIPS	FY06	FY07	FY08	FY09	FY10	FY11	FY07-11
CVN 21	-	-	1	-	-	-	1
SSN 774	1	1	1	1	1	1	5
DD(X)	-	-12	-10	1	1	1	5
CG(X)	-	-	-	-	-	1	1
LCS	-13	2	3	-56	-56	-56	23
LPD 17	1	-10	-01	-	-	-	1
LHA(R)	-	1	-	-	1	-	2
T-AKE	1	1	1	-01	-01	-01	5
T-AOE(X)	-	-	-	-10	-10	-20	0
MPF(F)	-	-	-	-10	-10	-20	0
MPF Aviation	-	-	-	-	-	-01	1
MPF LMSR	-	-	-	-	-01	-01	2
MPF MLP	-	-	-	-01	-	-01	2
Intratheater Connectors	-	-	-	1	1	1	3
New Construction	6	7	7	11	12	14	51
Sea-Shore Connectors	-	-	-	-	1	4	5
SSBN ERO	1	1	1	1	1	1	5
SSN ERO	-	-10	1	-	-	-	1
RCOH	1	-	-	-	1	-	1

Our aviation recapitalization program remains on track with a procurement quantity increase of 23 percent over the FY 2006 program. The strong ramp continues in the FYDP both to tra

AIRCRAFT	FY06	FY07	FY08	FY09	FY10	FY11	FY07-11
JSF	-	-	10 8	32	36	33	109
F/A-18E/F	38	30	24	20	22	14	110
EA-18G	4	12	18	22	20	14 10	82
MV-22	9	14	19	30 31	35	38 37	136
AH-1Z/UH-1Y	10	18	21 19	21 23	22 23	23	106
MH-60S	26	26 18	26 20	26	17 26	15 26	116
MH-60R	12	25	25	30 31	30 32	31	144
E-2C	2	2	-	-	-	-	2
E-2D	-	-	*4	4	4	4	16
CH-53X	-	-	-	-	*2	*2	4
MMA	-	-	*4	-	6	8	18
ACS	-	*1 0	*1 0	-1 0	-4 0	-5 0	0
C-40	-	-1 0	-2 0	-1 5	1	1	7
C-37	-	-	-	-	-	1	1
T-45	6	12	-	-	-	-	12
JPATS	-0 3	24 21	48	48	48	48	213
KC-130J	12 5	-0 4	-0 4	-	-	-	8
VH-71	*5	-	*3	4	3	4	14
BAMS UAV	-	-	-	-	-	4	4
VTUAV	*3 *5	-3 4	-5 7	-7 11	11	11 10	43
MC VUAV	*2 0	-1 0	-2 0	-3 0	-	-	0
F-5N	9	5	-	-	-	-	5
TOTAL	134	165	203	257	269	256	1,150
	* Funded in RDTEN						

In FY 2007, research and development investment reflects the maturing of programs and their transition to production.



Critical Aviation Programs

Major Systems: ($M)	FY05	FY06	FY07
Joint Strike Fighter	2,084	2,269	2,031
MMA	471	950	1,132
VH-71	536	922	683
Advanced Hawkeye	542	614	498
EA-18G	347	394	372
CH-53X	99	268	363
UCAV	-	-	239
DD(X)	1,120	1,068	794
LCS	451	574	320
Virginia Class SSN	157	176	170
CVN 21	350	303	309
C4I	773	1,075	1,005
EFV	239	250	188

Critical Shipbuilding Programs

FY 2006 Congressional Action

The final FY 2006 Congressional action reduced funding in every account except Research & Development. Additionally, more than $6.3 billion is provided for GWOT and another $3.3 billion for hurricane damages.

Starting Position ($M)	Navy	Marine Corps	Total
FY 2006	108,460	17,242	125,702

Navy	Change	
Military Personnel:		**-554.9**
Force Shaping Tools	-52.0	
Unobligated Balances	-192.0	
1% Topline Reduction	-244.7	
Operation & Maintenance:		**-1,300.3**
Peace Time Training Offset	-274.0	
1% Topline Reduction	-313.3	
Procurement:		**-1,496.6**
+2 LCS	440.0	
MPS Lease Buyout	-500.0	
-7 KC-130J	-709.0	
1% Topline Reduction	-186.3	
Research & Development:		**583.4**
Congressional Adds	873.0	
1% Topline Reduction	-180.9	
Construction:		**-82.9**
1% Topline Reduction	-15.2	
Title IX Bridge:		**2,315.0**
Military Personnel	154.0	
Operation & Maintenance	1,817.0	
Procurement	344.0	
Hurricane Supp:		**3,256.0**
Military Personnel	77.1	
Operation & Maintenance	871.0	
Procurement	1,759.4	
Research & Development	2.1	
Construction	546.4	
TOTAL		**2,719.7**

Marine Corps	Change	
Military Personnel:		**-97.1**
Unobligated Balances	-57.0	
1% Topline Reduction	-94.8	
Operation & Maintenance:		**-154.5**
Peace Time Training Offset	-95.9	
1% Topline Reduction	-38.9	
Procurement:		**-29.1**
1% Topline Reduction	-16.3	
Research & Development:		**110.3**
Congressional Adds	82.0	
1% Topline Reduction	-7.9	
Construction:		**179.4**
1% Topline Reduction	-4.3	
Title IX Bridge:		**4,026.0**
Military Personnel	455.0	
Operation & Maintenance	1,861.0	
PMC	1,710.0	
Hurricane Supp:		**34.8**
Military Personnel	14.6	
Operation & Maintenance	20.1	
Total		**4,069.9**

Current Balance ($M)	Navy	Marine Corps	Total
FY 2006	111,180	21,312	132,492

FY 2006 Supplemental

The full year FY 2006 GWOT Supplemental and a Hurricane Supplemental are on the hill pending conference resolution with the possibility of Presidential veto.

- Global War on Terrorism (GWOT) Supplemental
  - Received $7.0B Bridge Supplemental (Title IX)
  - Submitted a full year request to OSD on 22 November (includes Title IX)
  - Request includes:
    - Known incremental costs of war
    - Force reset executable in FY 2006 ($8.8B)
    - Fuel price increases for baseline operations
  - 16 February request forwarded to Congress for $17.4B (includes Title IX)

- Hurricane Supplemental
  - Received and obligated $311M in FY 2005
  - Received $3.8B in FY 2006 ($0.5B in reprogrammed FY2005 funds and $3.3B from Supplemental 3)
  - Obligated $511M to date in FY 2006
  - Supplemental 4 on the Hill requesting $1.2B would cover remaining reconstruction/recovery costs

The significant pace of operations for our naval forces engaged in the Global War on Terrorism, and the maritime responses to natural disasters is funded by supplemental appropriations.

GWOT Supplemental

(Dollars in Billions)	FY01	FY02	FY03	FY04	FY05	FY06
Navy	3.8	2.5	7.8	3.2	5.3	7.6
Marine Corps	0.0	0.3	3.7	2.8	7.6	9.8
Total DON	3.8	2.8	11.5	6.0	12.9	17.4
Total DoD Supplemental	17.0	14.0	69.0	66.0	100.0	115.0

Storm Supplemental

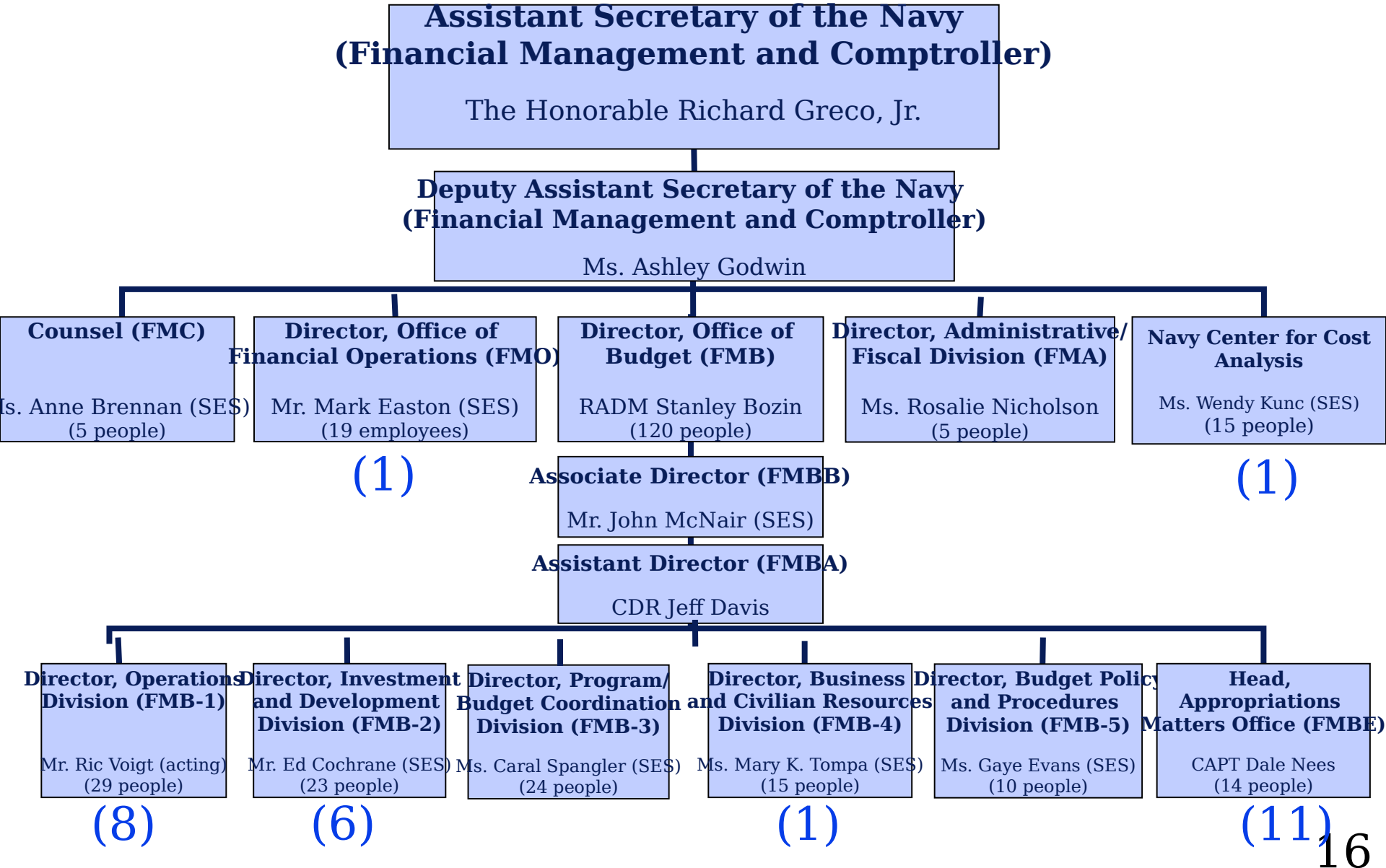
(Dollars in Billions)	FY05	FY06
Ivan	0.5	
Tsunami	0.1	
Katrina I & II	0.3	0.5
Katrina III		3.3
Katrina IV (on Hill)		1.2
Total DON	0.9	5.0

Both the Army and the Marine Corps have relied on Supplemental funding to fund GWOT costs significantly beyond the baseline budget. Marine reliance has been lower proportionately than Army, but shows an upward recent trend.

($Billions)	FY2003		FY2004		FY2005		FY2006	
	Army	USMC	Army	USMC	Army	USMC	Army	USMC
Manpower	7.8	1.2	12.9	0.8	14.9	1.6	14.5	1.3
Operations	16.1	2.2	24.0	1.3	30.9	2.8	47.2	3.5
Investment	0.8	0.3	1.2	0.3	11.1	3.9	21.2	5.0
Infrastructure	0.0	0.0	0.0	0.0	0.8	0.1	2.1	0
TOTAL SUPPLEMENTAL	**24.6**	**3.6**	**38.1**	**2.3**	**57.6**	**8.4**	**85**	**9.8**
TOTAL BASELINE	91.3	23.0	95.9	24.0	100.9	25.1	98.6	25.8
% Increase to Baseline	**27%**	**16%**	**40%**	**10%**	**57%**	**33%**	**86%**	**38%**

- Marine funding does not include “blue” support
  - Aviation support (flying hours and depot maintenance)
  - Navy-funded transportation costs
- Army funding does include executive agent responsibilities, including support for other services in-theater

The Assistant Secretary of the Navy (Financial Management and Comptroller) directs and manages the financial activities of the Department of the Navy.



Providing the Right Force for the Nation Today…

Questions?

…While Preparing for the Uncertainties of Tomorrow

BACKUP

Munitions and missiles are being procured to support DON requirements. These programs are stable and mature.

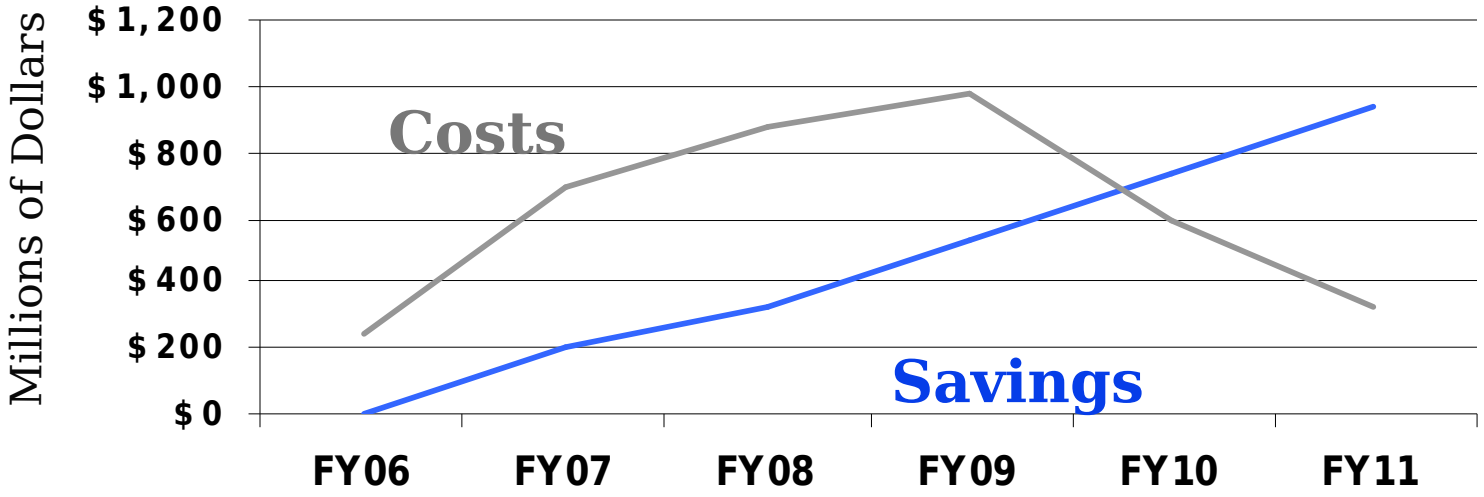
Quantity Procured	FY06	FY07	FY08	FY09	FY10	FY11
Precision Guided						
TACTOM	408	350	421	366	377	363
JSOW	420	397	421	504	521	546
JDAM	3,400	3,400	1,500	1,500	1,500	1,500
LGBs	2,601	2,272	2,129	2,177	-	-
Other Munitions						
Trident II	-	-	12	24	24	24
AMRAAM	85	150	140	150	150	150
AIM-9X	159	174	107	120	114	122
Standard Missile	75	75	75	90	100	105
RAM	90	90	90	90	90	90
ESSM	116	108	108	108	21	-

The Marine Corps makes its initial procurement of the Expeditionary Fighting Vehicle in FY 2007. Procurement of HMMWVs are based on peacetime usage; significant funding has been provided from supplemental appropriations for HMMWVs for GWOT.

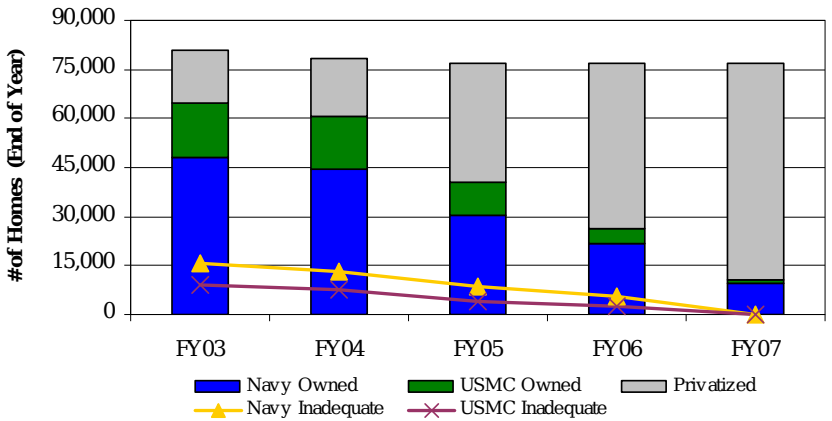
Quantity Procured	FY06	FY07	FY08	FY09	FY10	FY11
EFV	-	15	17	26	42	100
HIMARS	18	6	-	-	-	-
Joint LW 155	75	34	47	-	-	-
HMMWV	2,763	851	596	1,211	1,143	1,095

The DoD strategy for family housing reflects a transition to a greater use of privatization. Within the FYDP, costs of implementing the 2005 BRAC exceed savings by $1B. In FY 2010, annual savings exceed annual costs, and the Department begins to see a positive return on investment.

Base Realignment and Closure



Family Housing



Military Construction